

City of Morgan Hill



File #: 15-135, Agenda Date: 5/20/2015, Version: 1

CITY COUNCIL STAFF REPORT

MEETING DATE: MAY 20, 2015

PREPARED BY: Rebecca Garcia, Housing Manager/Community Development
 APPROVED BY: City Manager

FIFTH AMENDMENT TO AGREEMENT WITH NEIGHBORHOOD HOUSING SERVICES SILICON VALLEY (NHSSV) FOR ADMINISTRATION OF MORGAN HILL BELOW MARKET RATE (BMR) PROGRAM

RECOMMENDATION(S):

Adopt resolution authorizing the City Manager to execute a fifth amendment to the Consultant Agreement with Neighborhood Housing Services of Silicon Valley for an amount not to exceed \$75,000 for Below Market Rate (BMR) Administration services for the period ending April 30, 2016, for a total aggregate amount since 2012 of \$340,000.

COUNCIL PRIORITIES, GOALS & STRATEGIES:

Ongoing Priorities

Maintaining fiscal responsibility

2015 Focus Areas

Participate in Regional Issues

Community Engagement Effectiveness

NARRATIVE:

The City of Morgan Hill contracted with Neighborhood Housing Services of Silicon Valley (NHSSV) on April 18, 2012 to provide the Below Market Rate (BMR) Program Administration. These services were formerly provided to the community by former Redevelopment Agency Staff. With the dissolution of the California Redevelopment Agencies, the City partnered with other organizations to provide Housing services rather than perform those functions in-house. The City originally contracted with NHSSV based upon a long history of housing service collaboration. The initial 2012/13 contract was for \$90,000, and included \$15,000 in program startup costs, and expired on April 30, 2013. The contract was extended for one year in the same amount of \$75,000 and approved by City Council May 1, 2013. A third amendment was approved November 6, 2013, increasing the funding by \$25,000 to provide for special assistance with a large number of refinance and foreclosure actions. A fourth amendment was approved May 7, 2014 and the contract was extended for one year for \$75,000. In order to not disrupt the delivery of services, this request is for authorization to extend the

contract for one more year at the previous level of \$75,000 to continue the administration of the BMR Program through April 30, 2016, not to exceed \$340,000. Next year, the City will issue a Request for Proposal for this service, but recommends continuing to build on the work of the past three years.

For the past 25 years, Morgan Hill has made a significant investment in affordable homeownership with the City's 500 plus, and growing, BMR portfolio. Morgan Hill has one of the highest per capita affordable housing ratios in the State, with one in ten homes considered affordable, including BMRs and rental units. The sheer size of the BMR portfolio warrants the need to focus on the preservation and sustainability of the existing housing stock. NHSSV staff has performed this service with distinction and has become Morgan Hill's BMR Program specialist, providing uninterrupted service to the community. The first three years involved a start up and transition period, with client file transfer, examination of client files, developing procedures to respond to BMR developers, existing owners and buyers, outreach and education, auditing, and monitoring and compliance of the BMR Program. NHSSV has been a strategic partner in continuing the implementation of the City's BMR Program, managing the inventory, providing homeowner education regarding covenants and restrictions, eligibility and processing for ongoing refinancing and sales, as well as new home-owner workshops assisting interested residents in preparing for first time home ownership. Over the past three years NHSSV staff has developed a deep understanding of the multiple forms of covenants and restrictions impacting our 500+ ownership units, and has been instrumental in leveraging their own resources to assist the City to purchase and retail homes that have been the subject of bankruptcy and foreclosure. The resulting partnership has saved units in Morgan Hill's inventory and in a few cases, when the units could not be saved, resulted in recovering revenue for the benefit of the City's housing programs. NHSSV has also utilized their own funds to provide down payment assistance loans, provide first mortgage loans, and to purchase and rehabilitate 2 BMR's in mortgage default, making them available to new, qualified Morgan Hill BMR buyers. NHSSV recently administered the first comprehensive "home-occupancy audit" of Morgan Hill BMR units in years, allowing us to gain insight into the complexity and varying compliance issues that will require further investigation.

While the work established by NHSSV has been of great value to the City, it is critical that the City's BMR Program is able to sustain changes in the nonprofit industry, staff turnover, and the market. In the coming months staff will evaluate the extensive ground work that has been established, the management and cost structure of administering a BMR portfolio of this size, strengths, vulnerabilities, lessons learned, state-wide BMR best practices, and the potential sustainable opportunities for moving forward with the administration of the BMR Program. In June of 2015, City staff will have an Affordable Housing Program update that will include an update on the BMR Program. Upon assuming the BMR Administration role in 2012, NHSSV has been instrumental in working on a number of BMR program activities. Transaction types included:

- New Constructions Sales of BMR's committed through the RDSCS process
- Owner to Owner Re-Sale Transactions
- Ongoing Refinances
- Distressed Sale Transaction/work-outs
- Monitoring and Compliance
- Outreach and education for existing and potential BMR homeowners

Attached is a letter from NHSSV that describes in detail the number of transactions that they have performed and resident inquiries received for the reporting period March 5, 2014 - February 28, 2015.

Additionally, NHSSV has recently advised staff that they are currently undergoing a restructuring process to improve their financial stability, and exploring new partner investments that would support their long term ability to continue to deliver on their existing contract obligations. Staff is continuing to monitor the situation closely to ensure the delivery of Morgan Hill's BMR program services are not disrupted, and that a sustainable solution is identified. Attached is a formal statement from the Executive Director, Matt Huerta. Additional details will be provided by NHSSV on or about July 1, 2015.

COMMUNITY ENGAGEMENT: Inform

ALTERNATIVE ACTIONS:

The alternative is to not adopt a resolution authorizing the fifth amendment to the Consultant Agreement with Neighborhood Housing Services of Silicon Valley for the continued administration of the BMR Program. As a result, the administration and services of the BMR Program would be disrupted until an alternative solution was found.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City of Morgan Hill contracted with Neighborhood Housing Services of Silicon Valley (NHSSV) on April 18, 2012 to April 30, 2013 to provide the BMR Program Administration for \$90,000, including \$15,000 in program startup costs. The contract was extended for one year in the same amount of \$75,000 and approved by City Council May 1, 2013. A third amendment was approved November 6, 2013, increasing the funding by \$25,000 to provide for an increase in the number of refinance transactions and foreclosure actions. A fourth amendment was approved May 7, 2014 and the contract was extended for one year for \$75,000.

FISCAL AND RESOURCE IMPACT:

No fiscal impact at this time. The Housing Mitigation Fund will be used to fund this contract.

CEQA (California Environmental Quality Act):

Not a Project

LINKS/ATTACHMENTS:

1. Fifth Amendment to NHSSV Consultant Agreement
2. Resolution
3. NHSSV BMR Contract Renewal Narrative 2015
4. Scope of Work 2015
5. NHSSV Consultant Agreement 2012
6. First Amendment to NHSSV Agreement
7. Second Amendment to NHSSV Agreement
8. Third Amendment to NHSSV Agreement

File #: 15-135, Agenda Date: 5/20/2015, Version: 1

- 9. Fourth Amendment to NHSSV Agreement
- 10. Letter from Neighborhood Housing Services

**FIFTH AMENDMENT TO AGREEMENT
Neighborhood Housing Services of Silicon Valley**

This Fifth AMENDMENT TO AGREEMENT is entered into and becomes effective on _____, 2015 (Effective Date), by THE CITY OF MORGAN HILL, a municipal corporation, ("CITY") and, Neighborhood Housing Services of Silicon Valley, a California non-profit Corporation ("CONSULTANT").

RECITALS

The following recitals are a substantive part of this Agreement:

1. The CITY and CONSULTANT entered into that "Consultant Agreement" made as of April 18, 2012, for consultant services for a maximum compensation of \$90,000 ("CONSULTANT AGREEMENT"). The CONSULTANT AGREEMENT is attached as Exhibit "A" to this Agreement.
2. The CITY and CONSULTANT both signed letter First Amendment to CONSULTANT AGREEMENT that confirmed both parties understanding to Section 4.3 BMR Sale/Resale Transaction Fee and Exhibit A, Item U: Consultant will review and process requests for refinancing of BMR homes including subordination collection of applicable fees.
3. The CITY and CONSULTANT both signed Second Amendment made as of June 27, 2013. This Second Amendment to Agreement was entered into based upon City of Morgan Hill City Council approval on May 1, 2013. This Second Amendment extended the term of the Agreement by one year through April 30, 2014 and increased compensation by \$75,000 for a new total compensation of \$150,000.
4. The CITY and CONSULTANT both signed Third Amendment made as of January 13, 2014. This Third Amendment to Agreement was entered into based upon City of Morgan Hill City Council approval on November 6, 2013. This Third Amendment increased compensation by \$25,000 for a new total compensation of \$190,000.
5. The CITY and CONSULTANT both signed Fourth Amendment made as of May 1, 2014. This Fourth Amendment to Agreement was entered into based upon City of Morgan Hill City Council approval on May 7, 2014. This Fourth amendment increased by \$75,000 for a new total compensation of \$265,000.

This Fifth Amendment to Agreement is entered into based upon City of Morgan Hill City Council approval on May 20, 2015. This Fifth Amendment extends the term of the Agreement for one year through April 30, 2016 and increases compensation by \$75,000 for a new total compensation of \$340,000.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Amendments:** All terms and conditions of the CONSULTANT AGREEMENT, as amended, as attached as Exhibit "A," shall be extended and remain in full force and effect; except that the following amendments shall be made as set forth below:

A. Paragraph 2 shall be amended and replaced in its entirety by the following:

"2. **Term of Agreement**. This Agreement shall be effective and cover services rendered from April 18, 2012, until April 30, 2016."

B. Paragraph 4.1 shall be amended and replaced in its entirety by the following:

"4.1 Amount: \$340,000. Total compensation under this Agreement shall not exceed Three Hundred Forty Thousand dollars and shall be billed based on the rate and basis set forth in Exhibit B."

2. **Conflicts**. In the event of a conflict between the terms and provisions of this Third Amendment to Agreement and the terms and provisions of the CONSULTANT AGREEMENT or any earlier amendment, the terms of this Fifth Amendment to Agreement shall govern and control.

TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND**
- (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:

CITY OF MORGAN HILL

Michelle Wilson, Deputy City Clerk

Steve Rymer, City Manager

Date: _____

Date: _____

APPROVED AS TO FORM:

Neighborhood Housing Services of Silicon Valley

Renee Gurza, City Attorney

By: _____

Title: _____

Date: _____

Print Name and Title of Signer. If Corporate:
Chairman, President or Vice President

By: _____

Title: _____

Print Name and Title of Signer.

If Corporate: Secretary, Assistant Secretary,
Chief Financial Officer or Assistant Treasurer

Date: _____

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING, AND AUTHORIZING THE CITY MANAGER TO EXECUTE AND ADMINISTER, THAT CERTAIN FIFTH AMENDMENT TO CONSULTANT AGREEMENT WITH NEIGHBORHOOD HOUSING SERVICES OF SILICON VALLEY FOR BMR ADMINISTRATION

WHEREAS, the City of Morgan Hill, a municipal corporation and general law city duly organized and existing under and pursuant to the Constitution and laws of the State of California (“City”), is authorized to enter into contracts and agreements for the benefit of the City; and

WHEREAS, the reasons supporting the entrance of the City into that certain agreement described in, and that is the subject of, this Resolution are set forth in detail in that certain City Council Staff Report entitled “FIFTH AMENDMENT TO AGREEMENT NEIGHBORHOOD HOUSING SERVICES OF SILICON VALLEY” submitted for City Council consideration at its meeting of May 20, 2015, submitted to the City Council by the City Manager (the “Staff Report”), the contents of which Staff Report are incorporated herein by this reference; and

WHEREAS, the consideration by City Council of the adoption of this Resolution has been duly noticed pursuant to applicable laws and has been placed upon the City Council Meeting Agenda on the date set forth in the Staff Report, or to such date that the City Council may have continued or deferred consideration of this Resolution, and on such date the City Council conducted a duly noticed public meeting at which meeting the City Council provided members of the public an opportunity to comment and be heard and considered any and all testimony and other evidence provided in connection with the adoption of this Resolution; and

WHEREAS, the activities allowed under this Resolution do not constitute a project under the provisions of California Environmental Quality Act of 1970; and

WHEREAS, the City Council determines that adoption of this Resolution is in the public interest.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MORGAN HILL DOES HEREBY FIND, DETERMINE, RESOLVE AND ORDER AS FOLLOWS:

Section 1. Recitals. The City Council does hereby find, determine and resolve that all of the foregoing recitals are true and correct.

Section 2. Approval and Authorization. The City Council does further resolve, order and/or direct as follows:

- a. That the Fifth Amendment to Consultant Agreement with Neighborhood Housing Services of Silicon Valley for BMR Administration substantially in

the form attached hereto as Exhibit A and incorporated herein by this reference (the “Agreement”) is hereby approved; and

- b. That the City Manager is hereby delegated authority to and is authorized and directed to: (i) execute the Agreement substantially in the form attached hereto as Exhibit A; provided, specifically, that the total amounts to be paid by City under the Agreement shall in no event exceed seventy-five thousand dollars (\$75,000) and together with prior amendments and the underlying original contract shall in no event exceed three hundred forty thousand dollars (\$340,000) in the aggregate, and (ii) subsequently administer the terms and conditions of the Agreement including without limitation the authority to terminate the Agreement in accordance with its provisions when the City Manager determines that termination would protect or preserve the best interests of the City.

Section 3. This Resolution shall take effect immediately upon adoption.

PASSED AND ADOPTED by the City Council of the City of Morgan Hill at its meeting held on this 6th day of November, 2013 by the following vote:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

DATE: _____

Steve Tate, MAYOR

∞ CERTIFICATION ∞

I, Irma Torrez, City Clerk of the City of Morgan Hill, California, do hereby certify that the foregoing is a true and correct copy of Resolution No. _____, adopted by the City Council at the meeting held on May 20, 2015.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE: _____

Irma Torrez, CITY CLERK



City of Morgan Hill BMR Contract Renewal Report – April 2015

May 2015 marks the start of NHSSV's fourth City of Morgan Hill BMR Administration Contract year. As we look forward to plan this year's program goals, it's important to look back at past program milestones:

- The first contract year (May 2012 – April 2013), focused efforts on achieving important milestones to get the BMR program past the "fire drill" stage of program management services in a post RDA era. Upon assuming the BMR Administration role in Spring 2012, we spent the majority of our time fulfilling the immediate needs of BMR homeowners and City management on matters ranging from resale (including distressed properties in need of repair) to maintenance to refinancing. Along with providing those much needed services, we were instrumental in constructing the framework needed to close real estate transactions in the Post RDA era. These transactions included: 1) New Constructions Sales with the newly named Successor Agency; 2) Owner to Owner Re-Sale Transactions; 3) Non Owner Occupancy Re-Sale Transactions; and 4) Distressed Sale Transactions.
- The first half of the second contract year (May 2013 – October 2013), concentrated on building NHSSV's internal team to tailor administration services to the needs of the Morgan Hill BMR community. We hired and placed specialized real estate professionals within a team structure that understands the differences between the Below Market Rate and Traditional Market rate First Time Home Buyer environments - specifically, in terms of the real estate, financing and homeownership protocols and procedures. We also continued to build and educate a strong buyer base in a challenging first mortgage environment for low to moderate income earners to ensure owners who wanted to resell their homes could do so in the timelines and protocols associated with their recorded deed restrictions.
- The second half of the second contract year (November 2013 – April 2014), allowed NHSSV, with added support from the City of Morgan Hill, to move beyond the immediate needs of distressed sales transactions and towards preventing distressed transactions through purposeful intervention. We did this by harnessing the training and talents of our expanded BMR team to manage increased day-to-day activity, unique cases with disputes (homeowner occupancy issues & legacy issues with penned up demand to resale homes), new administrative processes (e.g. Morgan Hill's first Affordable Housing Agreement) and research the City's BMR inventory for mortgage and homeowner defaults.
- The third contract year focused on 1) streamlining program deliverables; and 2) protecting BMR homes from foreclosure through NHSSV's Affordable Housing Preservation Program. We streamlined our buyer application process by a) adding more Homebuyer Opportunities Orientations (HOOs) to our schedule in the South County area and pre-qualifying Orientation attendees to better provide tailored services to households interested in learning about the home purchase process; and b) hosting informational workshops for current homeowners to review their BMR program deed restrictions and connect them to pre-foreclosure services if necessary. NHSSV also focused heavy efforts on identifying BMR homes at risk of foreclosure through examination of



- current recording packages tied to each property. NHSSV then met with the City Attorney, City Housing Manager, and Mark Strombotne, contracted City housing attorney, to review individual property status and develop a first draft of City Distressed BMR Property Policies & Procedures.
- The fourth contract year will build upon the foundation of intimate knowledge and expertise that NHSSV staff have acquired, further refine the City's BMR policies and procedures, strengthen the City's internal systems and processes, and ensure a seamless delivery of services and record keeping.





City of Morgan Hill Below Market Rate (BMR) Report – March 26, 2015
Reporting Period – March 5, 2014 – February 28, 2015

BMR Orientations

- 762 Households participated in a BMR Orientation (also known as the HomeBuyer Opportunities Orientation or “HOO”) and received information about the Morgan Hill BMR Program
- 37 Total BMR orientations “HOOs” hosted by NHSSV for future BMR buyers to learn about program and mortgage qualifications

BMR Applications

- 71 BMR applications submitted to NHSSV with indicated interest in living in Morgan Hill
- 32 BMR pre-approved applicants who want to live in Morgan Hill and are waiting to choose a Morgan Hill BMR property

BMR Sales

- 8 Closed Morgan Hill BMR new construction transactions
- 8 Closed Morgan Hill BMR re-sale transactions
- 8 Pending Morgan Hill BMR transactions in real estate contract with close of escrow dates
- 25 Approximate Morgan Hill BMR new construction transactions that will close by June 30, 2016

BMR Refinances and Subordinations

- 17 Applications in process from current BMR homeowners who want to refinance their first mortgage on their BMR home and need approval and subordination from the City of Morgan Hill
- 9 Closed Morgan Hill BMR first mortgage refinances with approval and subordination from the City of Morgan Hill

Leveraged Capital

Preservation – leveraged funds used for mortgage reinstatement, rehabilitation costs, carrying costs, and relocation payments to distressed homeowners

- \$863,464+ in NHSSV capital used to purchase and rehabilitate 2 BMR homes in mortgage default for re-sale to a new qualified Morgan Hill BMR buyer

First Mortgage Lending

- \$3,852,329 in NHSSV First Mortgage loans provided to 13 Morgan Hill BMR borrowers

Down Payment Assistance

- \$1,269,150 in Down Payment Assistance loans underwritten by NHSSV and directed to Morgan Hill BMR borrowers

BMR Administration/Compliance Monitoring

- 15 NHSSV staff members with specialized training to administer the City of Morgan Hill BMR Program
- 439/456 Current Morgan Hill BMR Home Owners responded with a self-affidavit or “Home Owner Occupancy Certificate” to three rounds of program monitoring with 17 open cases for Homeowner Occupancy issues
- 13 Cases open for Deed Restriction Default investigations, other than for homeowner occupancy issues, identified by NHSSV





2014 – 2015 BMR Program Activity Highlights

Program Operations

1. In August and September of 2014 NHSSV co-wrote the City of Morgan Hill BMR Manual with City Staff, and achieved City Council approval on the final edition.
2. NHSSV put an internal system in place to outsource order and organize full recording packages for all BMR homes in Morgan Hill in order to best understand the complexities of each BMR restriction and current financing status on each property.
3. In March of 2014, NHSSV launched a current BMR homeowner education plan with 5+ workshops scheduled for Spring & Summer 2015
4. We continue to support the City with BEGIN down payment administration at Madrone Plaza 1 & Madrone Plaza 2

Homeowner Program/Deed Restriction Compliance Monitoring

5. In August of 2014, NHSSV matured & documented the City's "Go Forward" BMR Program Default Policy & Procedure with Sidney Stone, Mark Strombotne, City contracted attorney for housing matters, and Rene Gurza, City Attorney.
6. In Spring of 2014, NHSSV adopted a system to receive daily notices from the County Recorder's Office on title changes to all Morgan Hill BMR homes – Notices of Default (NODs)/Notices of Trustee Sales (NOTSs), marriages, divorces, etc.

Builder Relationships

7. Set up orientation appointments with two new builders in the Fall of 2014 to chaperone them from Affordable Housing Agreement to BMR Closing
8. Closed all BMR new construction homes by builder deadlines

Homebuyer/BMR Program Applicant Relationships

9. In November 2014, NHSSV launched bi-monthly Homebuyer Orientation schedule in Morgan Hill at the CCC
10. In November 2014, NHSSV partnered with the Morgan Hill School District & the Morgan Hill Chamber of Commerce to bring the BMR Orientation to Morgan Hill School District employees & local business owners





Scope of Work – May 1, 2015 to April 30, 2016

The Scope of Work details the roles and responsibilities of the City and Consultant. The Schedule starts from the date the contract is signed by both parties.

A. Consultant will administer the Below Market Rate program and assure Below Market Rate (BMR) Deed Restrictions are recorded and followed by all parties as applicable for each property.
B. Consultant will provide Morgan Hill office hours upon request for current and future BMR homeowners. Our San Jose office hours are Monday – Friday 8am – 5pm. Nights and weekends are also available on request.
C. Consultant will regularly update BMR guidelines and program materials in conjunction with City staff to reflect the Consultant's administrative process for BMR Administration including, but not limited to: management of notification lists, applications, program pamphlets, resale calculations, buyer selection process, sale and resale of units, refinancing requests, collection of City fees and other applicable fees, and default monitoring/resolution process. Consultant's objective will be to streamline the process, reflect its business model and decrease the time to close on properties.
D. Consultant will provide a separate phone line and e-mail for the Morgan Hill BMR Program.
E. Consultant will establish in conjunction with City staff a web-page for the BMR program with access to basic program information. Applications will also be available on the website with links to the City website. City will provide on its website a link to the Consultant's website for program information.
F. Consultant and the City will develop mutually acceptable response times to BMR inquiries and processing times required to obtain City signatures.
G. Consultant shall maintain the City's existing databases and files for program administration and establish a file retention and management system for the program. All electronic records will be considered work products that are property of the City of Morgan Hill. The Consultant will update the City's records monthly to ensure a coordinated seamless record keeping process.
H. Consultant will process refinance and reconveyance requests and collect applicable City fees for the refinancing. Consultant will charge a processing fee for reconveyances (\$50) plus any recording fees.
I. Consultant will administer the City's loan programs for Madrone Plaza BMRs units that are being sold or resold using RDA or BEGIN based on availability. Consultant will use the existing program guidelines and process. The Consultant will collect and retain the City's servicing fee of 1.5% of the loan amount. Consultant shall pay the City 33.33% of the City's loan servicing fee. Consultant will handle all inquiries for the aforementioned loan programs. Credit reports, if required, would be an additional charge to the applicants. Consultant will provide the applicants with the following services:



1. Counseling and education of prospective borrowers regarding program and lending requirements.
2. Conducting income qualifications including review of assets, income, VOE's and all other necessary approvals to ensure qualification for the City loans.
3. Making minor revisions to the City's existing program materials and legal documents.
4. Underwriting loan applications in accordance with program requirements.
5. Preparing all loan documents, overseeing proper execution thereof, and conducting final loan approval reviews.
6. Ensuring timely delivery of all necessary documents into escrow, and preparing escrow demands and funding requests.
7. Overall management and implementation of specific program policies, including required reporting.
8. Preparation of program materials by revising the City's current documents.
9. Calculating all pay off demands and issuing any disclosures and tax forms as required by State and/or Federal Law.
10. Calculating the resale value of all BMR homes as requested annually by the County.
11. Work with City staff to ensure a seamless and coordinated development of documents as it relates to the BMR Program, including the RDCS application process where BMR units are awarded, the Development Agreement, the Affordable Housing Agreement and any subsequent amendments to the Development.

J. Consultant shall act as a sales agent for the City of Morgan Hill and potential buyers for the sale and resale of BMR homes. Consultant is licensed by the Bureau of Real Estate to list and sell properties as needed and legally work with and represent customers. Consultant will charge BMR re-sale transaction fees in line with applicable recorded Deed Restrictions. Consultant will charge the developer as agreed upon with City staff on new construction homes.

K. Consultant will coordinate document transmittals between buyers, homeowners, developers, and City as needed. Consultant will be responsible for ensuring all documents submitted for City signatures are complete and accurate. Consultant will be responsible for making any necessary corrections to documents.

L. Consultant will work with City staff to coordinate tracking of BMR units produced, BMR units waived as part of BMR Reduction Program, and housing in-lieu fees collected.

M. Consultant will review and process requests for refinancing of BMR homes, including subordination, collection of applicable fees, submittal of documents for signature and transmittal to title and lenders, and recordation of required documents and notices.

N. Consultant shall conduct monitoring to evaluate BMR owners' compliance with the terms and conditions of the BMR recorded deed restrictions including the following:

1. Mailing monitoring letters to all the BMR units.
2. Reviewing in conjunction with City staff, City or County Assessor data to assist in the process (e.g., water utility bills, property records)
3. Review City's preliminary monitoring list to identify follow up actions required.



4. Meet with City staff to develop guidelines for acceptable default remedies (e.g., allowing rental of BMR units for hardship cases).
<p>O. Consultant will investigate and identify cure for potential BMR defaults including:</p> <ol style="list-style-type: none"> 1. Conduct follow up of those BMR owners who do not submit their compliance documentation. 2. Reviewing information from calls from BMR neighbors and interest parties 3. Conduct internet research of BMR units to assess the potential for default. 4. Conduct reasonable follow-up investigation to assess potential BMR defaults including unit site visits. 5. Scheduled appointments with BMR owners 6. For confirmed defaults, provide owners with list of actions needed to remedy the default and conduct follow-up to monitoring compliance. 7. Maintaining log of actions taken to remedy the defaults 8. For those defaults in which the owners choose to not remedy the situation within a reasonable amount of time, Consultant will meet with City staff to determine the course of action to pursue. The City is responsible for taking any legal actions. Consultant will be compensated on a time and material basis for working with legal counsel to remedy default situations. 9. City will provide a list of any current BMR defaults and actions taken to date.
P. Consultant will develop annual performance measures for BMR program administration. These measures would be developed in conjunction with City staff. Performance measures will be included in annual BMR summary report.
Q. Consultant shall conduct introductory Home Buyer Education/Training classes – HomeBuyer Opportunities Orientation (HOO) prior to BMR application
R. Consultant shall conduct HUD Certified 8-hr Homebuyer Training Class and provide participants who complete the course a FTHB Certificate.
S. On or before October 1 st Consultant shall provide the City with an annual BMR Administration report including summaries of Sale and Resale activities, City fees collected, and Refinancing activities for the fiscal year (July 1 thru June 30).
T. Consultant will offer applicants, as available, with mortgage pre-qualification counseling.
U. Consultant will offer BMR owners with Mortgage Default Prevention/Counseling.
V. Consultant will partner with the City to create of City legal templates for documents required for signature by the BMR participants. Consultant shall supply documents that are typically used in Santa Clara County for residential real estate transactions (e.g. purchase and sale, disclosure acknowledgements, addendums, etc.)
W. Consultant will provide mortgage finance referrals, as necessary. Consultant will use the City's list or develop a new list if needed. City staff will need to inform Consultant of any lender requirements it may have.
X. Consultant will review of individual BMR restrictions for terms and requirements as needed



including sweat equity and equity share units, Madrone Plaza units, Royal Court, and Viale. Consultant will discuss its findings with City staff.

Y. Consultant will prepare City staff reports on a time and materials basis.



Schedule of Compensation

<u>Annual Administrative Fee:</u> (1/12 of annual fees paid by Day 1 of following month)	\$75,000
<u>BMR City Refinance Fee:</u> (Paid by Owner and Consultant to transmit 20% of fee to City along with documents for signature)	\$511
<u>BMR City Refinance w/Subordination Fee:</u> (Paid by Owner and Consultant to transmit 20% of fee to City along with documents for signature)	\$1,022
<u>BMR Transaction Fee:</u>	Paid by Seller based on Deed Restrictions
<u>BMR New Construction Transaction Fee:</u>	Paid by Developer as agreed upon by the City
<u>Additional non-scope Items:</u> on a time and materials basis and only with prior approval of City and based on the hourly costs noted below:	
Special Projects	\$150.00/hour

**CONSULTANT AGREEMENT
NEIGHBORHOOD HOUSING SERVICES SILICON VALLEY**

THIS AGREEMENT is entered into and becomes effective on April 18, 2012 (Effective Date), by and between the CITY OF MORGAN HILL, a municipal corporation, ("CITY"), and NEIGHBORHOOD HOUSING SERVICES SILICON VALLEY a California, nonprofit corporation ("CONSULTANT") hereinafter referred to collectively as "Parties." In consideration of the promises and the mutual covenants contained in this Agreement, the Parties agree as follows:

1. **City Authority.** This Agreement is entered into pursuant to action of the Morgan Hill City Council taken on April, 18, 2012.
2. **Term of Agreement.** This Agreement shall cover services rendered from the Effective Date of this Agreement until April 30, 2013 at which time CONSULTANT'S services shall be completed. The City Manager is authorized to extend the term of this Agreement for a maximum of two one-year periods. Any such extension shall be in writing and signed by both Parties to this Agreement.
3. **Scope of Service.** The services to be performed by CONSULTANT shall be to administer the City's BMR program as further described in Exhibit A.
4. **Compensation.** CONSULTANT shall be compensated as follows:
 - 4.1. **Amount.** \$90,000.00. Total compensation under this Agreement shall not exceed Ninety Thousand dollars and shall be billed based on the rate and basis set forth in Exhibit B.
 - 4.2. **Billing.** CONSULTANT shall provide CITY with twelve monthly invoices in the amount of Six Thousand Two Hundred Fifty and No/100 Dollars (\$6,250.00) containing the dated, detailed, and itemized descriptions of all services performed and expenses incurred (if such expenses are reimbursable pursuant to Exhibit B) by CONSULTANT. Any rate charged shall be prorated where services are interrupted or not provided for any rate period (for example, any monthly rate charge should be prorated when services were interrupted or provided for only part of the month). For services billed on an hourly rate, the minimum unit of billed time shall not exceed one tenth of one hour. CITY shall pay for services and expenses (if so provided in Exhibit B) up to the limit of compensation set forth above, that in the CITY's judgment were necessary and reasonable.
 - 4.3. **Program Set Up.** CITY shall pay CONSULTANT a one-time program set up fee of Fifteen Thousand and No/100 Dollars (\$15,000.00). Said fee to be paid within thirty (30) days of the Execution Date of this Agreement.
 - 4.4. **BMR Sale/Resale Transaction Fee.** Buyer Transaction Fee collected by CONSULTANT shall be paid by the Buyer at the time of escrow.
 - 4.5. **Other Fees and Costs.** As set forth in Exhibit B.
5. **Termination.** CITY or CONSULTANT shall have the right to terminate this Agreement, without cause, by giving thirty (30) days' written notice or less under urgent circumstances. Upon such termination, CONSULTANT shall submit to CITY an itemized statement of services performed for which compensation has not been paid. CITY may require CONSULTANT to complete certain work product or documents and CONSULTANT shall deliver to CITY all documents in its possession without additional compensation to CONSULTANT.

6. **Performance of Work.** CONSULTANT represents that it is qualified by virtue of experience, training, education, and expertise to accomplish these services. Services shall be performed by CONSULTANT in accordance with professional practices in a manner consistent with a level of care, competence and skill exercised by qualified members of the CONSULTANT'S profession. By delivery of completed work, CONSULTANT certifies that the work conforms to the requirements of this Agreement and all applicable federal, state and local laws.

7. **Insurance Requirements.**

7.1. **Commencement of Work.** CONSULTANT shall not commence work under this Agreement until it has obtained CITY approved insurance. For general liability insurance policies, CONSULTANT shall provide CITY, prior to commencement of work, with a separate endorsement which states that the policy contains the following language:

- The CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named as additional insureds; and,
- the insurer waives the right of subrogation against CITY and CITY'S elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers; and,
- insurance shall be primary non-contributing.

CONSULTANT shall furnish CITY with copies of all policies or certificates subject to this Agreement, whether new or modified, promptly upon receipt. No policy subject to this Agreement shall be canceled or materially changed except after thirty (30) days' notice by the insurer to CITY.

7.2. **Workers' Compensation Insurance.** CONSULTANT and all subcontractors shall maintain Workers' Compensation Insurance, as required by law.

7.3. **Insurance Types and Amounts.** CONSULTANT shall maintain comprehensive general liability insurance; professional errors and omissions liability insurance; and automobile insurance each with policy limits of at least \$1,000,000 per occurrence for general liability, \$1,000,000 per accident for automobile liability and \$1,000,000 per claim for professional errors or omissions.

7.4. **Acceptability of Insurers.** All insurance required by this Agreement shall be carried only by responsible insurance companies licensed and admitted, or otherwise legally authorized to carry out insurance business, in California with a current A.M. Best's rating of no less than A:VII.

8. **Non-Liability of Officials and Employees of the CITY.** No official or employee of CITY shall be personally liable for any default or liability under this Agreement.

9. **Compliance with Law.** CONSULTANT and its officers, employees, agents, and subcontractors shall comply with all applicable laws, ordinances, administrative regulations, and permitting requirements in carrying out their obligations under this Agreement. CONSULTANT and its officers, employees, agents, and subcontractors covenant there shall be no discrimination based upon race, color, creed, religion, gender, marital status, age, sexual orientation, national origin, mental disability, physical disability, medical condition, or ancestry, in any activity pursuant to this Agreement.

10. **Independent Contractor.** CONSULTANT is an independent contractor and not an agent or employee of CITY.

11. **Confidentiality.** All data, documents, or other information received by CONSULTANT from CITY or prepared in connection with CONSULTANT'S services under this Agreement are deemed confidential and shall not be disclosed to any third party by CONSULTANT without prior written consent by CITY.

12. **Conflict of Interest and Reporting.** CONSULTANT shall at all times avoid conflict of interest or appearance of conflict of interest in performance of this Agreement.

13. **Notices.** All notices shall be personally delivered or mailed, via first class mail to the below listed address. These addresses shall be used for delivery of service of process. Notices shall be effective five (5) days after date of mailing, or upon date of personal delivery.

Address of CONSULTANT is as follows:

BMR Program Administrator
Neighborhood Housing Services Silicon Valley
1156 North Fourth St.
San Jose, CA 95112

Address of CITY is as follows:

Assistant City Manager for Community Development City of Morgan Hill 17575 Peak Avenue Morgan Hill, CA 95037	with a copy to: City Clerk City of Morgan Hill 17575 Peak Avenue Morgan Hill, CA 95037
--	--

14. **Licenses, Permits and Fees.** CONSULTANT shall obtain a City of Morgan Hill Business License, all permits and licenses to the extent required by ordinances, codes and regulations of the federal, state and local government.

15. **Maintenance of Records.**

15.1. **Maintenance.** CONSULTANT shall prepare, maintain, and preserve all reports and records that may be required by federal, state, and CITY rules and ordinances related to services provided under this Agreement. CONSULTANT shall maintain records for a period of at least 3 years after receipt of final payment under this Agreement. If any litigation, claim, negotiation, audit exception, or other action relating to this Agreement is pending at the end of the 3 year period, then CONSULTANT shall retain said records until such action is resolved.

15.2. **Access to and Audit of Records.** The CITY shall have the right to examine, monitor and audit all records, documents, conditions, and activities of the CONSULTANT and its subcontractors related to services under this Agreement. Pursuant to Government Code Section 8546.7, if this Agreement involves the expenditure of public funds in excess of \$10,000, the Parties to this Agreement may be subject, at the request of the CITY or as part of any audit of the CITY, to the examination and audit of the State Auditor pertaining to

matters connected with the performance of this Agreement for a period of three years after final payment under the Agreement.

- 15.3. Ownership of Work Product. All documents or other information developed or received by CONSULTANT for work performed under this Agreement shall be the property of CITY. CONSULTANT shall provide CITY with copies of these items upon demand or upon termination of this Agreement.

16. Familiarity with Work. By executing this Agreement, CONSULTANT represents that: (1) it has investigated the work to be performed; (2) it has investigated the site of the work and is aware of all conditions there; and (3) it understands the difficulties and restrictions of the work under this Agreement. Should CONSULTANT discover any conditions materially differing from those inherent in the work or as represented by CITY, it shall immediately inform CITY and shall not proceed, except at CONSULTANT'S risk, until written instructions are received from CITY.

17. Time of Essence. Time is of the essence in the performance of this Agreement.

18. No Assignment. Neither this Agreement nor any portion shall be assigned by CONSULTANT, without prior written consent of CITY.

19. Attorney Fees. In any legal action, dispute or arbitration arising out of or relating to this Agreement, the prevailing party shall be entitled to an award of its reasonable attorney fees, costs and expenses incurred.

20. Defense and Indemnification.

- 20.1. Defense and Indemnification. CONSULTANT shall, to the fullest extent permitted by law, indemnify, defend and hold harmless CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers ("INDEMNITEES") from and against any and all claims, liabilities, expenses, liens, or damages of any nature, including liability for bodily injury, property damage or personal injury, and including reasonable attorneys' fees and expenses, that arise out of, pertain to, or relate to the performance of this Agreement or the failure to comply with any obligations contained in this Agreement by CONSULTANT, and/or its agents, officers, employees, subcontractors, or independent contractors ("CLAIM").

- 20.2. Exceptions. CONSULTANT is not required to indemnify INDEMNITEES against liability for bodily injury, property damage or personal injury, or any other loss, damage or expense arising from the sole negligence or willful misconduct of the CITY.

- 20.3. Not limited by insurance. The indemnity, defense and hold harmless provisions of this Agreement apply to all CLAIMs alleged against an INDEMNITEE, regardless of whether any insurance policies are applicable. Policy limits do not act as a limitation upon the amount of indemnification or defense to be provided by CONSULTANT.

- 20.4. Right to Offset. CITY shall have the right to offset against any compensation due CONSULTANT under this Agreement any amount due CITY from CONSULTANT as a result of CONSULTANT's failure to pay CITY promptly any indemnification arising under this Section (20) and any amount due CITY from CONSULTANT arising from CONSULTANT's failure either to (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.

20.5. Interpretation. This Section shall constitute an agreement or contract of indemnity, incorporating the interpretations under California Civil Code Section 2778. It is expressly understood and agreed that the obligation of the CONSULTANT to indemnify the INDEMNITEE shall be as broad and inclusive as permitted by the laws of the State of California and shall survive termination of this Agreement.

21. Modification. This Agreement constitutes the entire Agreement between the Parties and supersedes any previous agreements, oral or written. This Agreement may be modified or provisions waived only by subsequent mutual written Agreement executed by CITY and CONSULTANT.

22. Governing Law and Venue. This Agreement shall be construed in accordance with the laws of the State of California. This Agreement was entered into and is to be performed in the County of Santa Clara. Any action or dispute arising out of this Agreement shall only be brought in Santa Clara County.

23. Interpretation. This Agreement is a negotiated document and shall be deemed to have been drafted jointly by the Parties, and no rule of construction or interpretation shall apply against any particular Party based on a contention that the Agreement was drafted by one of the Parties including, but not limited to, California Civil Code § 1654, the provisions of which are hereby waived. This Agreement shall be construed and interpreted in a neutral manner.

24. Preservation of Agreement. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the rest of the Agreement shall remain in full force and effect and shall in no way be affected or invalidated.

//

//

//

//

//

//

//

25. **Authority to Execute.** Those individuals who are signing this Agreement on behalf of entities represent and warrant that they are, respectively, duly authorized to sign on behalf of the entities and to bind the entities fully to each and all of the obligations set forth in this Agreement.

IN WITNESS THEREOF, these Parties have executed this Agreement on the day and year shown below.

AS SET FORTH IN CA. CORP. CODE § 313, TWO SIGNATURES ARE REQUIRED FOR CALIFORNIA CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
 (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:



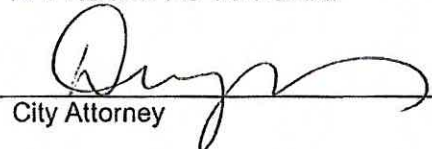
City Clerk/Deputy City Clerk

Michelle Wilson

Print Name

Date: 5-1-12

APPROVED AS TO FORM:



City Attorney

Danny Wan

Print Name

Date: 4-27-12

CITY OF MORGAN HILL



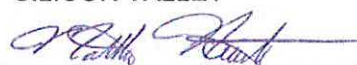
City Manager

J. Edward Tewes

Print Name

Date: 5-1-12

NEIGHBORHOOD HOUSING SERVICES
SILICON VALLEY



By: Matt Huerta

Title: Executive Director

Date: 4-18-12

EXHIBIT ASCOPE OF SERVICES

The Scope of Work details the roles and responsibilities of the City and Consultant. The Schedule starts from the date the contract is signed by both parties.

Details

Schedule

A. City will transfer all electronic and printed BMR database records (e.g., excel, word files), BMR policies such as Refinance & Subordination Policies, program manuals and any related amendments, form letters and correspondence, legal documents required to be signed by BMR owners and/or buyers, and associated program materials (e.g., pamphlets) to the Consultant. Whenever possible, documents should be transfer in excel or word format as opposed to PDF format. Legal documents should have blanks for the Consultant to insert the required language.	One week
B. City shall transfer its electronic and printed database/report on the preliminary "Owner records survey" to the Consultant.	One week
C. Consultant will inform the City of the staff assigned to the BMR program administration. Teresa Gonzales will be the City's BMR program administrator.	One week
D. City shall transfer its electronic and printed BMR Notification List to the Consultant.	One week
E. Consultant will scan in all BMR owner files provided by the City (up to 500 files) as pdf files and provide electronic copies to the City. <ol style="list-style-type: none"> 1. If scanned in on-site (City Hall Villas), the City shall coordinate with the Consultant the times and location for the work to be conducted and completed (probably requires 2-3 weeks to complete) including the installation of the scanner equipment. Consultant shall coordinate its activities with the City's IT staff regarding the scanned files. 2. If scanned in off-site, Consultant will coordinate the pick-up and drop off the files with the City. 	Within 30 days
F. Consultant shall provide formal written notice (e.g., letter) to BMR owners, applicants on the BMR Notification List, and BMR lenders of the change in the program administration and the new contact information, Morgan Hill satellite office, business hours and applicable fees	Within 30 days
G. Consultant will provide regular business office hours (closed for Holidays and weekends) for applicants to ask question and obtain/drop off applications, including application intake, at 16500 Monterey Rd (Jasmine Square) in Morgan Hill. This service will also include the availability of staff to meet by appointment in the evenings or weekends to accommodate applicant and owner schedules. Consultant anticipates charging a nominal application processing fee to be paid by the owner/applicant (tentatively \$50/hr).	Within 35 days
H. Consultant will use the City's existing BMR Program Documentation including existing program material and legal documents to administer the program. Consultant will update BMR guidelines and program materials in conjunction with City staff to reflect the Consultant's administrative process for BMR Administration ("Program Set-Up") including, but not limited to: management of notification lists, applications, program pamphlets, resale calculations, buyer selection process, sale and resale of units, refinancing requests, collection of City fees and other applicable fees, and default monitoring/resolution process. Consultant's objective will be to streamline the process, reflect its business model and decrease the time to close on properties.	Within 35 days

I. Consultant will administer the BMR program per the revised Program Manual	After Program Set-Up
J. Consultant will provide a separate phone line and e-mail for the Morgan Hill BMR Program. Consultant's office staff will be trained to field the initial calls and be able to answer general BMR questions. More specific phone or email inquiries will be directed to the BMR administrator or designated staff trained to administer the BMR program.	Within 35 days
K. Consultant will establish in conjunction with City staff a web-page for the BMR program with access to basic program information. Applications will also be available on the website with links to the City website. City will provide on its website a link to the Consultant's website for program information.	Within 35 days
L. Consultant and the City will develop mutually acceptable response times to BMR inquiries and processing times required to obtain City signatures.	Within 35 days
M. Consultant will develop and implement a targeted marketing plan to generate a pool of interested applicants for BMR units. This proposal includes up to \$1,000 worth of program marketing materials.	Within 35 days
N. Consultant shall maintain the City's existing databases and files for program administration and establish a file retentions and management system for the program. All electronic records will be considered work products that are property of the City of Morgan Hill.	Within 35 days
O. Consultant will process refinancing and reconveyance requests and collect applicable City fees for the refinancing. Consultant will charge a processing fee for reconveyances (\$50) plus any recording fees.	Within 35 days
P. Consultant will administer the City's loan programs for Madrone Plaza BMRs units that are being sold or resold using RDA or BEGIN. Consultant will use the existing program guidelines and process. The Consultant will collect and retain the City's servicing fee of 1.5% of the loan amount. Consultant will handle all inquiries for the aforementioned loan programs. Credit reports, if required, would be an additional charge to the applicants. Consultant will provide the applicants with the following services: <ol style="list-style-type: none"> 1. Counseling and education of prospective borrowers regarding program and lending requirements. 2. Conducting income qualifications including review of assets, income, VOE's and all other necessary approvals to ensure qualification for the City loans. 3. Making minor revisions to the City's existing program materials and legal documents. 4. Underwriting loan applications in accordance with program requirements. 5. Preparing all loan documents, overseeing proper execution thereof, and conducting final loan approval reviews. 6. Ensuring timely delivery of all necessary documents into escrow, and preparing escrow demands and funding requests. 7. Overall management and implementation of specific program policies, including required reporting. 8. Preparation of program materials by revising the City's current documents. 9. Calculating all pay off demands and issuing any disclosures and tax forms as required by State and/or Federal Law. 	Within 35 days
Q. Consultant will use its existing database of potential homebuyers (over 3,000 on interest list) to conduct outreach to the entire Santa Clara County area.	Within 60 days
R. Consultant shall act as the exclusive sales agent for the City of Morgan Hill and potential buyers for the sale and resale of BMR homes. Consultant is licensed by the Department of Real Estate to list and sell properties as needed and legally work with and represent customers. Consultant will charge transaction fees to Buyers as allowed by this Agreement. Consultant acknowledges that the current BMR agreements do not require the Seller to pay a fee for these services. Consultant and the City will discuss the possibility of including such a	After Program Set-Up

requirement in new BMR agreements.	
S. Consultant will coordinate document transmittals between buyers, homeowners, developers, and City as needed. Consultant will be responsible for ensuring all documents submitted for City signatures are complete and accurate. Consultant will be responsible for making any necessary corrections to documents.	After Program Set-Up
T. Consultant will work with City staff to coordinate tracking of BMR units produced, BMR units waived as part of BMR Reduction Program, and housing in-lieu fees collected.	After Program Set-Up
U. Consultant will review and process requests for refinancing of BMR homes, including subordination, collection of applicable fees, submittal of documents for signature and transmittal to title and lenders, and recordation of required documents and notices.	After Program Set-Up
V. Consultant shall conduct monitoring to evaluate BMR owners' compliance with the terms and conditions of the BMR recorded deed restrictions including the following: <ol style="list-style-type: none"> 1. Mailing monitoring letters to all the BMR units. 2. Reviewing in conjunction with City staff, City or County Assessor data to assist in the process (e.g., water utility bills, property records) 3. Review City's preliminary monitoring list to identify follow up actions required. 4. Meet with City staff to develop guidelines for acceptable default remedies (e.g., allowing rental of BMR units for hardship cases). 	Within 90 days
W. Consultant will investigate and manage potential BMR defaults including: <ol style="list-style-type: none"> 1. Conduct follow up of those BMR owners who do not submit their compliance documentation. 2. Reviewing information from calls from BMR neighbors and interest parties 3. Conduct internet research of BMR units to assess the potential for default. 4. Conduct reasonable follow-up investigation to assess potential BMR defaults including unit site visits. 5. Scheduled appointments with BMR owners 6. For confirmed defaults, provide owners with list of actions needed to remedy the default and conduct follow-up to monitoring compliance. 7. Maintaining log of actions taken to remedy the defaults 8. For those defaults in which the owners choose to not remedy the situation within a reasonable amount of time, Consultant will meet with City staff to determine the course of action to pursue. The City is responsible for taking any legal actions. Consultant will be compensated on a time and material basis for working with legal counsel to remedy default situations. 9. City will provide a list of any current BMR defaults and actions taken to date. 	After 90 days, then on-going
X. Consultant shall conduct third party home owner inspections (e.g., roof, property, termite) for BMR resales and provide reports to the buyer and seller. Other inspections will be conducted as needed to determine resale value and credit for improvements. Consultant acknowledges that the City requires the Seller to pay for home inspection repairs and the Buyer to pay for certain inspections.	After Program Set-Up; As needed
Y. Consultant will develop annual performance measures for BMR program administration. These measures would be developed in conjunction with City staff. Performance measures will be included in annual BMR summary report.	Within 90 days
Z. Consultant will pre-qualify First Time Home Buyer applicants per Program Guidelines These services will include: <ol style="list-style-type: none"> 1. Verification of buyer status including buyers on the Notification List . (e.g., household income, house hold size, employment, funds available for downpayment, first time home buyer) 2. Credit checks, 3. Lender approvals 	After Program Set-Up; for Buyers on notification list within 120 days

4. Evaluating if applicants are eligible for Consultants loan programs	
AA. Consultant shall conduct HUD Certified 8-hr Homebuyer Training Class and provide participants who complete the course a FTHB Certificate	Semi-annually or as need arises
BB. Consultant shall conduct Home Buyer Education/Training classes	Quarterly or as need arises
CC. On or before October 1 st , Consultant shall provide the City with an annual BMR Administration report including summaries of Sale and Resale activities, City fees collected, and Refinancing activities for the fiscal year (July 1 thru June 30).	Annually; the first report will be due October 1 st , 2013
DD. Consultant will provide applicants with mortgage pre-qualification counseling.	After Program Set-Up; On-going
EE. Consultant will provide BMR owners with Mortgage Default Prevention/Counseling.	After Program Set-Up; On-going
FF. Consultant will collect all applicable City fees for BMR transactions and transmit the fees to the City per this Agreement.	After Program Set-Up; On-going
GG. Respond to all BMR inquiries including application and refinance processes.	
HH. The City is responsible for the creation of templates for all City legal documents required for signature by the BMR participants. Consultant shall supply documents that are typically used in Santa Clara County for residential real estate transactions (e.g. purchase and sale, disclosure acknowledgements, addendums, etc.)	After Program Set-Up; On-going
II. Consultant is licensed with both the Department of Real Estate and the National Mortgage Licensing System (NMLS, Safe ACT) and will provide loan counseling to applicants.	After Program Set-Up; On-going
KK. Consultant's office staff will provide Spanish translations as needed. Consultant is not anticipating the translation of any legal documents or a large number of program materials. If the need arises for additional language translation, Consultant can make arrangements for translators.	After Program Set-Up; On-going
LL. Consultant will provide mortgage finance referrals, as necessary. Consultant will use the City's list or develop a new list if needed. City staff will need to inform Consultant of any lender requirements it may have.	After Program Set-Up; On-going
MM. Consultant will review of individual BMR restrictions for terms and requirements as needed including sweat equity and equity share units, Madrone Plaza units, Royal Court, and Viale. Consultant will discuss its findings with City staff.	As needed
NN. Consultant will prepare City staff reports on a time and materials basis.	As needed

EXHIBIT B
Schedule of Compensation

Annual Administrative Fee: \$75,000
 (Twelve Monthly payments of \$6,250.00)

One time program set up: \$15,000
 (Paid by City within 30 days of contract approval)

BMR Sale/ Resale Transaction Fee: \$10,000
 (Paid by Buyer at escrow)

NOTE: Consultant will not charge this fee for the sale of new units in Madrone Plaza. The sales of the new units will be sold subject to the agreement between South County Housing, Wells Fargo Bank, and the City of Morgan Hill.

BMR Home Inspection Fee: \$1,000
 (Actual amount paid by Buyer at escrow)

BMR City Refinance Fee: \$500
 (Paid by Owner and Consultant to transmit 20% of fee to City along with documents for signature)

BMR City Refinance w/Subordination Fee: \$1000
 (Paid by Owner and Consultant to transmit 20% of fee to City along with documents for signature)

BMR loan servicing/processing fee: The Consultant will collect and retain the City's servicing fee of 1.5% of the loan amount for City's loan using RDA, BEGIN, or Citywide DAP funds. The fee will be collected at the close of escrow. Credit reports, if required, would be an additional charge to the applicants.

Additional application fees as established by Consultant with prior consent of City

Additional non-scope Items on a time and materials basis and only with prior approval of City and based on the hourly costs noted below:

Director/Senior Manager	\$125.00/hour
BMR Program Administrator	\$100.00/hour
BMR senior staff	\$75.00/hour
Administrative/support staff	\$50.00/hour
NHSSV Consultants	Cost plus 20% overhead



CERTIFICATE OF LIABILITY INSURANCE

NEIGHOU-01

PATRA8

DATE (MM/DD/YYYY)

4/25/2012

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER License # 052024

Chapman
PO Box 5455
Pasadena, CA 91117-0455

CONTACT NAME:

PHONE (A/C, No, Ext): 1 (626) 405-8031

FAX (A/C, No): 1 (626) 405-0585

E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE

NAIC #

INSURER A: Great American Insurance Company

16691

INSURER B: Chartis Specialty Insurance Co

INSURER C: Houston Casualty Company

42374

INSURER D:

INSURER E:

INSURER F:

INSURED

Neighborhood Housing Services Silicon Valley
1156 N 4th Street
San Jose, CA 95112

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY	X	X	MAC 025-48-33-00	2/23/2012	7/1/2012	EACH OCCURRENCE \$ 1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						MED EXP (Any one person) \$ 5,000
	<input type="checkbox"/> GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC						PERSONAL & ADV INJURY \$ 1,000,000
	AUTOMOBILE LIABILITY			MAC 025-48-33-00	2/23/2012	7/1/2012	GENERAL AGGREGATE \$ 2,000,000
	<input type="checkbox"/> ANY AUTO						PRODUCTS - COM/OP AGG \$ 2,000,000
	<input type="checkbox"/> ALL OWNED AUTOS						
	<input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
A	UMBRELLA LIAB <input checked="" type="checkbox"/> EXCESS LIAB			UMB 0-25-48-35-00	2/23/2012	7/1/2012	BODILY INJURY (Per person) \$
	<input type="checkbox"/> OED <input checked="" type="checkbox"/> RETENTION \$ 10,000						BODILY INJURY (Per accident) \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY						PROPERTY DAMAGE (Per accident) \$
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below						
B	Real Estate E&O			01-881-11-38	5/27/2011	5/27/2012	EACH OCCURRENCE \$ 1,000,000
C	Mortgage Banker E&O			H711-13080	5/27/2011	5/27/2012	AGGREGATE \$ 1,000,000
							WC STATUTORY LIMITS OTH-ER
							E.L. EACH ACCIDENT \$
							E.L. DISEASE - EA EMPLOYEE \$
							E.L. DISEASE - POLICY LIMIT \$
							\$1MM Agg / Per Claim 1,000,000
							\$1MM Agg / Each 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

The City, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named additional insured with respect to the operations of the named insured. Waiver of Subrogation for General Liability policy applies in favor of certificate holder.

CERTIFICATE HOLDER

CANCELLATION

City of Morgan Hill
17575 Peak Avenue
Morgan Hill, CA 95037

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

© 1988-2010 ACORD CORPORATION. All rights reserved.



NEIGHOU-01

PATRA6

CERTIFICATE OF LIABILITY INSURANCE

 DATE (MM/DD/YYYY)
 4/9/2012

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER License # 0522024

 Chapman
 PO Box 5455
 Pasadena, CA 91117-0455

CONTACT NAME:

PHONE (A/C, No, Ext): 1 (626) 405-8031

FAX (A/C, No): 1 (626) 405-0585

E-MAIL:

ADDRESS:

INSURER(S) AFFORDING COVERAGE

NAIC #

INSURER A: Great American Insurance Company

16691

INSURER B: New York Marine and General

16608

INSURER C:

INSURER D:

INSURER E:

INSURER F:

INSURED

 Neighborhood Housing Svcs
 Silicon Valley
 1156 N 4th Street
 San Jose, CA 95112

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY	X	X	MAC 025-48-33-00	2/23/2012	7/1/2012	EACH OCCURRENCE \$ 1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY						DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 50,000
	<input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR						MED EXP (Any one person) \$ 5,000
							PERSONAL & ADV INJURY \$ 1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						GENERAL AGGREGATE \$ 2,000,000
	<input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC						PRODUCTS - COMP/OP AGG \$ 1,000,000
	AUTOMOBILE LIABILITY			MAC 025-48-33-00	2/23/2012	7/1/2012	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000
	<input type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS						BODILY INJURY (Per accident) \$
	<input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> SCHEDULED AUTOS NON-OWNED AUTOS						PROPERTY DAMAGE (Per accident) \$
A	UMBRELLA LIAB	X		UMB 0-25-48-35-00	2/23/2012	7/1/2012	EACH OCCURRENCE \$ 1,000,000
	<input checked="" type="checkbox"/> EXCESS LIAB						AGGREGATE \$ 1,000,000
	<input type="checkbox"/> DED <input checked="" type="checkbox"/> RETENTION \$ 10,000						
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY		N/A	TBD	3/1/2012	7/1/2012	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)						E.L. EACH ACCIDENT \$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE \$ 1,000,000
							E.L. DISEASE - POLICY LIMIT \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (Attach ACORD 101, Additional Remarks Schedule, if more space is required)

The CITY, its elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers are named additional insured/Funding source with respect to the operations of the named insured. Such insurance is Primary and Non-Contributory. Waiver of Subrogation for General Liability policy applies in favor of CITY and CITY'S elected or appointed officials, boards, agencies, officers, agents, employees, and volunteers. Workers Compensation coverage excluded, evidence only.

CERTIFICATE HOLDER

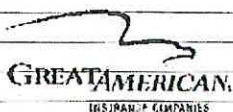
 Assistant City Manager for Community Development
 City of Morgan Hill
 17575 Peak Avenue
 Morgan Hill, CA 95037

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

© 1988-2010 ACORD CORPORATION. All rights reserved.



Administrative Offices
580 Walnut Street
Cincinnati, Ohio 45202
Tel: 1-513-369-5900

CG 82 24
(Ed. 12-01)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SOCIAL SERVICE AGENCY GENERAL LIABILITY BROADENING ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

1. The following provision is added to SECTION II - WHO IS AN INSURED

5. AUTOMATIC ADDITIONAL INSURED(S)

a. Additional Insured - Manager or Lessor of Premises

- (i) This policy is amended to include as an insured any person or organization (hereinafter called Additional Insured) from whom you lease or rent property and which requires you to add such person or organization as an Additional Insured on this policy under:

(a) a written contract; or

(b) an oral agreement or contract where a Certificate of Insurance showing that person or organization as an Additional Insured has been issued;

but the written or oral contract or agreement must be an "insured contract," and,

(i) currently in effect or become effective during the term of this policy; and

(ii) executed prior to the "bodily injury," "property damage," "personal and advertising injury."

- (2) With respect to the insurance afforded the Additional Insured identified in Paragraph A.(1) of this endorsement the following additional provisions apply:

(a) This insurance applies only to liability arising out of the ownership, maintenance or use of that portion of the premises leased to you

(b) The Limits of Insurance applicable to the Additional Insured are the lesser of those specified in the written contract or agreement or in the Declarations for this policy and subject to all the terms, conditions, and exclusions for this policy. The Limits of Insurance applicable to the Additional Insured are inclusive of and not in addition to the Limits of Insurance shown in the Declarations.

(c) In no event shall the coverages or Limits of Insurance in this Coverage Form be increased by such contract.

(d) Coverage provided herein is excess over any other valid and collectible insurance available to the Additional Insured whether the other insurance is primary, excess,

Includes copyrighted material of Insurance Service Office with its permission.

Copyright, Insurance Services Office, Inc., 2001

contingent or on any other basis unless a written contractual arrangement specifically requires this insurance to be primary.

tomarily provided by the policy forms specified in and required by the contract.

(c) In no event shall the coverages of Limits of Insurance in this Coverage Form be increased by such contract.

(3) This insurance does not apply to:

(a) Any "occurrence" or offense which takes place after you cease to be a tenant in that premises.

(b) Structural alterations, new construction or demolition operations performed by or on behalf of the "Additional Insured."

c. Additional Insured - Contractual Obligations

(i) This policy is amended to include as an Insured any person or organization (hereinafter called Additional Insured) that you are required by a written "insured contract" to include as an Insured, subject to all of the following provisions:

b. Additional Insured - Funding Sources

(1) This policy is amended to include as an Insured any Funding Source which requires you in a written contract to name the Funding Source (hereinafter called Additional Insured) as an Insured but only with respect to liability arising out of your premises, "your work" for such Additional Insured, or acts or omissions of such Additional Insured in connection with the general supervision of "your work" and only to the extent set forth as follows:

(a) The Limits of Insurance applicable to the Additional Insured are the lesser of those specified in the written contract or agreement or in the Declarations for this policy and subject to all the terms, conditions, and exclusions for this policy. The Limits of Insurance applicable to the Additional Insured are inclusive of and not in addition to the Limits of Insurance shown in the Declarations.

(b) The coverage provided to the Additional Insured(s) is not greater than that cus-

(a) Coverage is limited to liability arising out of:

(i) your ongoing operations performed for such Additional Insured; or

(ii) that Insured's financial control of you; or

(iii) the maintenance, operation or use by you of equipment leased to you by such Additional Insured; or

(iv) a state or political subdivision permit issued to you.

(b) Coverage does not apply to any "occurrence" or offense:

(i) which took place before the execution of, or subsequent to the completion or expiration of, the written "insured contract", or

(ii) which takes place after you cease to be a tenant in that premises.

Includes copyrighted material of Insurance Service Office with its permission.


Copyright, Insurance Services Office, Inc., 2001

(c) With respect to architects, engineers, or surveyors, coverage does not apply to "Bodily Injury," "Property Damage," "Personal and Advertising Injury" arising out of the rendering or the failure to render any professional services by or for you including:

- (i) the preparing, approving, or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications; and
- (ii) supervisory, inspection, or engineering services.

If an Additional Insured endorsement is attached to this policy and specifically names a person or organization as an Insured, then the coverage in **Section II - WHO IS AN INSURED 5. Automatic Additional Insured(s)** does not apply to that person or organization.

2. BLANKET WAIVER OF SUBROGATION

 **SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS, Item 8.** is replaced with:

8. Transfer of Rights of Recovery Against Others to us and Blanket Waiver of Subrogation

- a. If an Insured has rights to recover all or part of any payment we have made under this Coverage Part, those rights are transferred to us. The Insured must do nothing after loss to impair them. At our request, the Insured will bring "suit" or transfer those rights to us and help us enforce them.
- b. If required by a written "insured contract", we waive any right of recovery we may have against any person or organization because of payments we make for injury or damage arising out of your ongoing operations or "your

work" done under a contract for that person or organization and included in the "products-completed operations hazard."

3. NON-OWNED OR CHARTERED WATERCRAFT

Section I - Coverages, Coverage A, Item 2g.(2) is replaced with:

(2) A watercraft you do not own that is:

- (a) less than 51 feet long; and
- (b) not being used to carry persons or property for a charge.

4. BROADENED PERSONAL AND ADVERTISING INJURY

Unless "Personal and Advertising Injury" is excluded from this policy:

SECTION V - DEFINITIONS Item 14. is replaced by:

14. "Personal and Advertising Injury" means injury, including consequential "bodily injury," arising out of one or more of the following offenses:

- a. false arrest, detention or imprisonment;
- b. malicious prosecution;
- c. the wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies by or on behalf of its owner, landlord or lessor;
- d. oral, written, televised, videotaped, or electronic publication of material, in any manner, that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
- e. oral, written, televised, videotaped, or electronic publication of material, in any manner, that violates a person's right of privacy; or

Includes copyrighted material of Insurance Service Office with its permission.

Copyright, Insurance Services Office, Inc., 2001

f. mental injury, mental anguish, humiliation, or shock, if directly resulting from Items 14.a. through 14.e.

g. the use of another's advertising idea in your "advertisement"; or

h. infringing upon another's copyright, trade dress or slogan in your "advertisement."

5. MENTAL INJURY, MENTAL ANGUISH, HUMILIATION, OR SHOCK INCLUDED IN BODILY INJURY DEFINITION

Section V - Definitions, Item 3. is replaced with:

3. "Bodily injury" means physical injury, sickness, or disease, including death of a person. "Bodily injury" also means mental injury, mental anguish, humiliation, or shock if directly resulting from physical injury, sickness, or disease to that person.

6. MEDICAL PAYMENTS

A. The Medical Expense Limit in Paragraph 7. of SECTION III - LIMITS OF INSURANCE is replaced by the following Medical Expense Limit.

The Medical Expense Limit provided by this policy shall be the greater of:

a. \$10,000; or

b. The amount shown in the Declarations for Medical Expense Limit.

B. This provision 7. is subject to all the terms of SECTION III - LIMITS OF INSURANCE.

C. This provision 7. does not apply if COVERAGE C. MEDICAL PAYMENTS is excluded either by the provisions of the Coverage Part or by endorsement.

7. DAMAGE TO PREMISES RENTED TO YOU LIMIT

A. SECTION III - LIMITS OF INSURANCE, Item 6. is replaced with:

Subject to 5. above, the Damage to Premises Rented to You Limit is the most we will pay under Coverage A for damages because of "property damage" to your building, or to personal property of others in your care, custody and control while at premises rented to you or temporarily occupied by you with permission of the owner, arising out of any one fire.

The Damage to Premises Rented To You Limit is replaced by the following Damage to Premises Rented To You Limit.

The Damage to Premises Rented To You Limit is the greater of:

(1) \$300,000; or

(2) the amount shown in the Declarations for Damage to Premises Rented to You Limit.

B. This provision is subject to all the terms of SECTION III - LIMITS OF INSURANCE.

C. This provision 5. does not apply if Damage to Premises Rented to You Liability of COVERAGE A (SECTION I) is excluded either by the provisions of the Coverage Part or by endorsement.

9. SUPPLEMENTARY PAYMENTS

A. In the SUPPLEMENTARY PAYMENTS - COVERAGES A and B provision, Item 1.b., and 1.d are replaced with:

1.b. Up to \$500 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.

1.d. All reasonable expenses incurred by the Insured at our request to assist us in the investigation or defense of the claim or "suit" including actual loss of earnings up to \$500 a day because of time off work.

This endorsement does not change any other provision of the policy.

Includes copyrighted material of Insurance Service Office with its permission.

Copyright, Insurance Services Office, Inc., 2001

126-04-12-016



DEVELOPMENT SERVICES CENTER

17575 PEAK AVENUE
MORGAN HILL, CA 95037-4128

TEL: 408-778-6480

FAX: 408-779-7236

WWW.MORGANHILL.CA.GOV

EXHIBIT A

September 18, 2012

Mr. Matt Huerta, Executive Director
Neighborhood Housing Services Silicon Valley
1156 North Fourth St.
San Jose, CA 95112

RE: Amendment to NHSSV Consultant Agreement – BMR Program Administration

Dear Mr. Huerta:

This letter serves to amend the Consultant Agreement between the City of Morgan Hill (City) and Neighborhood Housing Services Silicon Valley (Consultant), to conform our shared understanding of Section 4.3: BMR Sale/Resale Transaction Fee and Exhibit A, Item U: Consultant will review and process requests for refinancing of BMR homes, including subordination, collection of applicable fees...

Per City's Fee Schedule adopted January 18, 2012, Consultant shall collect the appropriate fee relating to client's transaction, wire said funds to City on a monthly basis, and include transaction detail in the annual summary report.

4.3 BMR Sale/Resale: Consultant shall collect from BMR Client a BMR Sale and Loan Servicing Fee of 1.5% of loan value. Consultant shall retain two-thirds of collected servicing fee and wire City one-third of collected fee.

Exhibit A, Item U: Refinancing with or without subordination. Consultant shall collect from BMR Client a Refinancing Fee without subordination of \$500.00 or a Refinancing Fee with subordination of \$1,000.00. Consultant shall retain four-fifths of fee and wire City one-fifth of fee collected. (Refinances without subordination, Consultant shall receive \$400.00 and City \$100.00; with subordination Consultant shall receive \$800.00 and City \$200.00.)

Wires shall reference City's budget line code (see below), BMR client's name, and escrow closing date. An e-mail informing City staff of pending wire should be sent to the Housing Manager two days prior to wiring funds.

- 236.37677 BMR Sale and Loan Servicing
- 236.37675 BMR Refinancing without subordination
- 236.37676 BMR Refinancing with subordination

Please confirm your acceptance of this amendment to the Consultant Agreement by signing below and returning the signed letter to Angela Rivera.

City of Morgan Hill

J. Ed Tewes, City Manager

Neighborhood Housing Services Silicon Valley

Matt Huerta, Executive Director

cc: Teresa E. Martinez Gonzales, BMR Associate, - NHSSV

Exhibit "A"

**SECOND AMENDMENT TO AGREEMENT
Neighborhood Housing Services of Silicon Valley**

This Second AMENDMENT TO AGREEMENT is entered into and becomes effective on June 27, 2013 (Effective Date), by THE CITY OF MORGAN HILL, a municipal corporation, ("CITY") and, Neighborhood Housing Services of Silicon Valley, a California non-profit Corporation ("CONSULTANT").

RECITALS

The following recitals are a substantive part of this Agreement:

1. The CITY and CONSULTANT entered into that "Consultant Agreement" made as of April 18, 2012, for consultant services for a maximum compensation of \$90,000 ("CONSULTANT AGREEMENT"). The CONSULTANT AGREEMENT is attached as Exhibit "A" to this Agreement.
2. The CITY and CONSULTANT both signed letter First Amendment to CONSULTANT AGREEMENT that confirmed both parties understanding to Section 4.3 BMR Sale/Resale Transaction Fee and Exhibit A, Item U: Consultant will review and process requests for refinancing of BMR homes including subordination collection of applicable fees
3. This Second Amendment to Agreement is entered into based upon City of Morgan Hill City Council approval on May 1, 2013. This Second Amendment extends the term of the Agreement by one year through April 30, 2014 and increases compensation by \$75,000 for a new total compensation of \$150,000.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Amendments:** All terms and conditions of the CONSULTANT AGREEMENT, as amended, as attached as Exhibit "A," shall be extended and remain in full force and effect; except that the following amendments shall be made as set forth below:

A. Paragraph 2 shall be amended and replaced in its entirety by the following:

"2. **Term of Agreement.** This Agreement shall be effective and cover services rendered from April 18, 2012, until April 30, 2014."

B. Paragraph 4.1 shall be amended and replaced in its entirety by the following:

"4.1 **Amount:** \$150,000. Total compensation under this Agreement shall not exceed One hundred fifty thousand dollars and shall be billed based on the rate and basis set forth in Exhibit B."

TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; AND
 (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:

[Signature]
 City Clerk
 Date: 7/1/13

APPROVED AS TO FORM:

[Signature]
 City Attorney
 Date: 06/27/13
 Council Approval:
05/01/13

CITY OF MORGAN HILL

[Signature]
 City Manager
 Date: 6/27/13

Neighborhood Housing Services of Silicon Valley

[Signature]
 By: Matthew Huerta, Executive Director
 Title: Print Name and Title of Signer.
 If Corporate: Chairman, President or Vice President

Date: 5-31-13

[Signature]
 By: Ven Parekh, Board President
 Title: Print Name and Title of Signer.
 If Corporate: Secretary, Assistant Secretary, Chief Financial Officer or Assistant Treasurer

Date: 6-31-13

**THIRD AMENDMENT TO AGREEMENT
Neighborhood Housing Services of Silicon Valley**

This Third AMENDMENT TO AGREEMENT is entered into and becomes effective on 1/13, 2013⁴ (Effective Date), by THE CITY OF MORGAN HILL, a municipal corporation, ("CITY") and, Neighborhood Housing Services of Silicon Valley, a California non-profit Corporation ("CONSULTANT").

RECITALS

The following recitals are a substantive part of this Agreement:

1. The CITY and CONSULTANT entered into that "Consultant Agreement" made as of April 18, 2012, for consultant services for a maximum compensation of \$90,000 ("CONSULTANT AGREEMENT"). The CONSULTANT AGREEMENT is attached as Exhibit "A" to this Agreement.
2. The CITY and CONSULTANT both signed letter First Amendment to CONSULTANT AGREEMENT that confirmed both parties understanding to Section 4.3 BMR Sale/Resale Transaction Fee and Exhibit A, Item U: Consultant will review and process requests for refinancing of BMR homes including subordination collection of applicable fees.
3. The CITY and CONSULTANT both signed Second Amendment made as of June 27, 2013. This Second Amendment to Agreement was entered into based upon City of Morgan Hill City Council approval on May 1, 2013. This Second Amendment extended the term of the Agreement by one year through April 30, 2014 and increased compensation by \$75,000 for a new total compensation of \$150,000.
4. This Third Amendment to Agreement is entered into based upon City of Morgan Hill City Council approval on November 6, 2013. This Third Amendment increases compensation by \$25,000 for a new total compensation of \$190,000.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Amendments:** All terms and conditions of the CONSULTANT AGREEMENT, as amended, as attached as Exhibit "A," shall be extended and remain in full force and effect; except that the following amendments shall be made as set forth below:

A. Paragraph 3 shall be amended by adding the following:

"The services to be performed by CONSULTANT shall consist of the following and amended services set forth in Exhibit "B":

B. Paragraph 4.1 shall be amended and replaced in its entirety by the following:

"4.1 Amount: \$190,000. Total compensation under this Agreement shall not exceed One Hundred Ninety Thousand dollars and shall be billed based on the rate and basis set forth in Exhibit B."

2. Conflicts. In the event of a conflict between the terms and provisions of this Third Amendment to Agreement and the terms and provisions of the CONSULTANT AGREEMENT or any earlier amendment, the terms of this Third Amendment to Agreement shall govern and control.

TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS:

- (1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND**
 (2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.

ATTEST:

[Signature]
 for City Clerk
 Date: 1/13/14

APPROVED AS TO FORM:

[Signature]
 for City Attorney
 Date: 01/10/14
 Council Approve:
 11/06/13

CITY OF MORGAN HILL

[Signature]
 City Manager
 Date: 1/13/14

Neighborhood Housing Services of Silicon Valley

[Signature]
 By: Matthew Huerta
 Title: Executive Director
 Print Name and Title of Signer.
 If Corporate: Chairman, President or Vice President

Date: 11/7/2013

[Signature]
 By: LONAL PRADOTA
 Title: LONAL PRADOTA
 Print Name and Title of Signer.
 If Corporate: Secretary, Assistant Secretary, Chief Financial Officer or Assistant Treasurer

Date: 11/7/2013

**FOURTH AMENDMENT TO AGREEMENT
Neighborhood Housing Services of Silicon Valley**

This Fourth AMENDMENT TO AGREEMENT is entered into and becomes effective on May 1 2014 (Effective Date), by THE CITY OF MORGAN HILL, a municipal corporation, ("CITY") and, Neighborhood Housing Services of Silicon Valley, a California non-profit Corporation ("CONSULTANT").

RECITALS

The following recitals are a substantive part of this Agreement:

1. The CITY and CONSULTANT entered into that "Consultant Agreement" made as of April 18, 2012, for consultant services for a maximum compensation of \$90,000 ("CONSULTANT AGREEMENT"). The CONSULTANT AGREEMENT is attached as Exhibit "A" to this Agreement.
2. The CITY and CONSULTANT both signed letter First Amendment to CONSULTANT AGREEMENT that confirmed both parties understanding to Section 4.3 BMR Sale/Resale Transaction Fee and Exhibit A, Item U: Consultant will review and process requests for refinancing of BMR homes including subordination collection of applicable fees. The First Amendment to CONSULTANT AGREEMENT is attached as Exhibit "B" to this Agreement.
3. The CITY and CONSULTANT both signed Second Amendment made as of June 27, 2013. This Second Amendment to Agreement was entered into based upon City of Morgan Hill City Council approval on May 1, 2013. This Second Amendment extended the term of the Agreement by one year through April 30, 2014 and increased compensation by \$75,000 for a new total compensation of \$150,000. The Second Amendment to CONSULTANT AGREEMENT is attached as Exhibit "C" to this Agreement.
4. The CITY and CONSULTANT both signed Third Amendment made as of January 13, 2014. This Third Amendment to Agreement was entered into based upon City of Morgan Hill City Council approval on November 6, 2013. This Third Amendment increased compensation by \$25,000 for a new total compensation of \$190,000. The Third Amendment to CONSULTANT AGREEMENT is attached as Exhibit "D" to this Agreement.

This Fourth Amendment to Agreement is entered into based upon City of Morgan Hill City Council approval on May 7, 2014. This Fourth Amendment extends the term of the Agreement for one year through April 30, 2015 and increases compensation by \$75,000 for a new total compensation of \$265,000.

AGREEMENT

THE PARTIES MUTUALLY AGREE AS FOLLOWS:

1. **Amendments:** All terms and conditions of the CONSULTANT AGREEMENT, as amended, as attached as Exhibit "A," shall be extended and remain in full force and effect; except that the following amendments shall be made as set forth below:

A. Paragraph 2 shall be amended and replaced in its entirety by the following:

"2. **Term of Agreement**. This Agreement shall be effective and cover services rendered from April 18, 2012, until April 30, 2015."

B. Paragraph 4.1 shall be amended and replaced in its entirety by the following:

"4.1 **Amount**: \$265,000. Total compensation under this Agreement shall not exceed Two Hundred Sixty Five Thousand dollars and shall be billed based on the rate and basis set forth in Exhibit B."


2. **Conflicts**. In the event of a conflict between the terms and provisions of this Third Amendment to Agreement and the terms and provisions of the CONSULTANT AGREEMENT or any earlier amendment, the terms of this Third Amendment to Agreement shall govern and control.

TWO SIGNATURES ARE REQUIRED FOR CORPORATIONS:

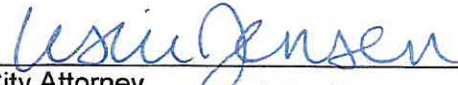
(1) CHAIRPERSON OF THE BOARD, PRESIDENT, OR VICE PRESIDENT; **AND**

(2) SECRETARY, ASSISTANT SECRETARY, CHIEF FINANCIAL OFFICER OR ASSISTANT TREASURER.


ATTEST:


 City Clerk
 Date: 7/23/14

APPROVED AS TO FORM:

for 
 City Attorney
 Date: 07/22/14
COBEN LJ

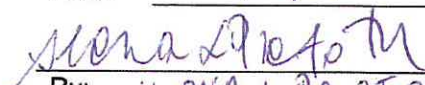
CITY OF MORGAN HILL


 City Manager
 Date: 7/23/14

Neighborhood Housing Services of Silicon Valley


 By:
 Title: Matthew Huerth Executive Director
 Print Name and Title of Signer.
 If Corporate: Chairman, President or Vice President

Date: 7/21/14


 By: ILONA L PROFOTA, CTO
 Title:
 Print Name and Title of Signer.
 If Corporate: Secretary, Assistant Secretary, Chief Financial Officer or Assistant Treasurer

Date: 7-22-2014



May 14, 2015

Rebecca Garcia
Housing Manager
City of Morgan Hill
17575 Peak Avenue, 95037

RE: Morgan Hill BMR Administration Contract Renewal

Hello Rebecca,

Thank you for all your work and the ongoing collaboration which has enabled NHSSV and the City of Morgan Hill to provide BMR Program services comprehensively including administrative support for the City, potential first time homebuyers, sellers and builders. Per your request, please consider this our formal statement concerning our ability to perform these services under the contract renewal scheduled for consideration by the City Council on May 20th.

As you know, NHSSV as an organization is undergoing a restructuring process aimed at improving our financial stability to assure continued quality services for the long term. The restructuring involves realigning our programming focus on providing homeownership services. This effort is also expected to include new partner investments. New investors share the City's expectation that NHSSV will maintain the capacity to deliver on existing contract obligations including BMR administration services in Morgan Hill now and for the foreseeable future. NHSSV is pleased to report increasing activity in Morgan Hill in counseling, real estate and lending at this time. We will be able to provide more detail about the outcome of our restructuring process on or about July 1st. Thank you for your partnership.

Sincerely,

Matt Huerta
Executive Director

THIS PAGE LEFT BLANK INTENTIONALLY